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RECORDATION NO. 21259

FILED

MAR 6 '98

11-52 PM

Standard
Federal

January 27, 1998

RECORDATION NO. 21259-A

FILED

MAR 6 '98

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The Mercury Building
Office of Secretary
1925 K. Street
Washington, D.C. 4023
Attn: Recordation

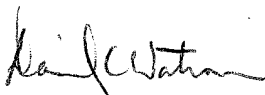
Re: Adrian & Blissfield Rail Road Company

Dear Sir:

Enclosed for filing is a Security Agreement and a Financing Statement on the above referenced. Also, enclosed is a Treasurer's Check No. 8053617393 in the amount of \$48.00 for the filing fee.

If you have any questions or comments concerning this matter, please let me know.

Very truly yours,



Daniel C. Watson

DCW:ba

Enclosure(s)

cc: Scott Wickens

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RECEIVED
SURFACE TRANSPORTATION
BOARD

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**SECURITY AGREEMENT
(Specific Property)**

THIS AGREEMENT is made the 15th day of JANUARY, 1998, by and between Adrian & Blissfield Rail Road Company, a Michigan railroad corporation ("Borrower"), whose address is 850 Mandoline, Madison Heights, MI 48071, and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. The Borrower may from time to time request loans, advances or other financial accommodations from Standard Federal to be secured as herein provided.

B. Standard Federal may, in its discretion, honor such requests in whole or part.

NOW, THEREFORE, in consideration of the Recitals and the covenants and agreements herein contained, the Borrower hereby agrees as follows:

1. **Grant of Security Interest.** Borrower hereby grants to Standard Federal a continuing security interest in the property and interests in property described below (hereinafter referred to as the "Collateral") to secure the payment of all loans and advances including any renewals or extensions thereof from Standard Federal to Borrower and all obligations of any and every kind and nature heretofore, now or hereafter owing from Borrower to Standard Federal, however incurred or evidenced, whether primary, secondary, contingent or otherwise, whether arising under this Agreement, under any other security agreement(s), promissory note(s), guarantee(s), mortgage(s), lease(s), instrument(s), document(s), contract(s), letter(s) of credit or similar agreement(s) heretofore, now or hereafter executed by Borrower and delivered to Standard Federal, or by oral agreement or by operation of law plus all interest, costs, expenses and reasonable attorney fees which may be made or incurred by Standard Federal in the disbursement, administration or collection of such obligations and in the protection, maintenance and liquidation of the Collateral (hereinafter collectively called "Liabilities").

2. **Collateral.** The Collateral covered by this Agreement is all the Borrower's property described below, which it now owns or shall hereafter acquire or create immediately upon the acquisition or creation thereof, and includes, but is not limited to, any items listed on any schedule or list attached hereto, together with all Proceeds (whether Cash Proceeds or Noncash Proceeds) of the Collateral, including without limitation proceeds of insurance payable by reason of loss or damage to the Collateral and of eminent domain or condemnation awards and all products of and accessions to the Collateral and all Deposit Accounts or other sums at any time credited by or due from Standard Federal to Borrower and all policies and certificates of insurance, Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Goods, Deposit Accounts, Money, Checks, Cash Proceeds and Noncash Proceeds (whether or not the same are Collateral or Proceeds thereof hereunder) in which Borrower has an interest which are now or are at any time hereafter in the possession or under the control of Standard Federal or in transit by mail or carrier to or from Standard Federal or in possession

of or under the control of any third party acting on Standard Federal's behalf without regard to whether Standard Federal received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Standard Federal has conditionally released the same (excluding, nevertheless, any of the foregoing assets of the Borrower which are now or any time hereafter in possession or control of Standard Federal under any written trust agreement wherein Standard Federal is trustee and Borrower is trustor):

Specific Property. The following described specific property of the Borrower:

Railroad locomotive numbers 1751 and 1752

Railroad passenger car numbers 3370, 5197, 4963, 5208 and 5210

3. Location of Collateral. The Collateral and all records pertaining to Accounts are kept and maintained at the Borrower's address above. Borrower will give to Standard Federal prompt written notice of any new address at which the Collateral is kept or maintained upon any change in location of the Collateral or records pertaining to Accounts.

4. Perfection of Security Interest. Borrower shall execute and deliver to Standard Federal concurrently with Borrower's execution of this Agreement and at any time or times hereafter at the request of Standard Federal and pay the cost of filing or recording same in all public offices deemed necessary by Standard Federal, all financing statements, continuation financing statements, assignments, certificates of title, applications for vehicle titles, affidavits, reports, notices, schedules of Accounts, designations of Inventory, letters of authority and all other documents that Standard Federal may reasonably request in form satisfactory to Standard Federal to perfect and maintain Standard Federal's security interests in the Collateral. In order to fully consummate all of the transactions contemplated hereunder, Borrower shall make appropriate entries on its books and records disclosing Standard Federal's security interests in the Collateral.

5. Warranties. Borrower warrants and agrees that while any of the Liabilities remain unperformed and unpaid: (a) except as may be otherwise disclosed in this Agreement, Borrower is the owner of the Collateral free and clear of all liens or security interests, except Standard Federal's security interest, and all Chattel Paper constituting Collateral evidences a perfected security interest in the goods covered by it free from all other liens and security interests, and no financing statements, other than that of Standard Federal, are on file covering the Collateral or any of it, and if Inventory is represented or covered by documents of title, Borrower is the owner of the documents free of all liens and security interests other than Standard Federal's security interest and warehousemen's charges, if any, not delinquent; (b) the address of Borrower's principal office is as set forth above; the addresses of Borrower's other places of business where Collateral and account records are now or may in the future be located, if any, are set forth in paragraph 3 above and the Collateral, wherever located, is covered by this Agreement; (c) the Collateral will not be used, nor will Borrower permit the Collateral to be used, for any unlawful purpose, whatever; (d) Borrower will neither change its name, form of business entity nor address of its principal office or the office where account records are maintained without giving written notice to Standard Federal thereof at least ten (10) days prior to the effective date of such change, and Borrower agrees that all documents, instruments, and agreements demanded by Standard Federal in response to such

change shall be prepared, filed, and recorded at Borrower's expense prior to the effective date of such change; (e) each Account, Chattel Paper and General Intangible constituting Collateral is genuine and enforceable against the account debtor according to its terms, and it, and the transaction out of which it arose, comply with all applicable laws and regulations, the amount represented by Borrower to Standard Federal as owing by each account debtor is the amount actually owing and is not subject to setoff, credit, allowance or adjustment except any discount for prompt payment, nor has any account debtor returned the goods or disputed his liability, there has been no default according to the terms of any such Collateral, and no step has been taken to foreclose the security interest it evidences or to otherwise enforce its payment; (f) Borrower shall at all times maintain the Collateral in first-class condition and repair; (g) the execution and delivery of this Agreement and any instruments evidencing Liabilities will not violate nor constitute a breach of Borrower's Articles of Incorporation, By-Laws, Partnership Agreement, or any agreement or restriction of any type whatsoever to which Borrower is a party or is subject; (h) all financial statements and information relating to Borrower delivered or to be delivered by Borrower to Standard Federal are true and correct and prepared in accordance with generally accepted accounting principles, and there has been no material adverse change in the financial condition of Borrower since the submission of any such financial information to Standard Federal; (i) there are no actions or proceedings which are threatened or pending against Borrower which might result in any material adverse change in Borrower's financial condition or which might materially affect any of Borrower's assets; (j) Borrower has duly filed all federal, state, and other governmental tax returns which Borrower is required by law to file, and will continue to file same during such time as any of the Liabilities hereunder remain owing to Standard Federal, and all such taxes required to be paid have been paid, in full; and (k) Borrower will indemnify and hold Standard Federal harmless against claims of any persons or entities not a party to this Agreement concerning disputes arising over the Collateral.

6. Statements of Account. All statements of account rendered by Standard Federal to Borrower relating to Borrower's Liabilities, including all statements of principal, interest, expenses and costs owing by Borrower to Standard Federal, shall be presumed correct and accurate and shall constitute an account stated between Borrower and Standard Federal unless within thirty (30) days after mailing thereof to Borrower, Borrower shall deliver to Standard Federal by registered or certified mail addressed to Standard Federal at its principal place of business, written objection thereto specifying the error or errors, if any, contained in any such statement.

7. Agreement in Effect. This Agreement shall be and become effective when, and continue in effect as long as, any Liabilities of Borrower to Standard Federal are outstanding and unpaid. Borrower will not sell, assign, transfer, pledge, alienate or otherwise dispose of or encumber any Collateral to any third party while this Agreement is in effect without the written consent of Standard Federal.

8. Insurance, Taxes, Etc. Borrower shall: (a) pay promptly all taxes, levies, assessments, judgments, and charges of any kind upon or relating to the Collateral, to Borrower's business, and to Borrower's ownership or use of any of its assets, income, or gross receipts; (b) at its own expense, keep and maintain all of the Collateral fully insured against loss or damage by fire, theft, explosion and other risks in such amounts, with such companies, under such policies and in such form as shall be satisfactory to Standard Federal,

which policies shall expressly provide that loss thereunder shall be payable to Standard Federal as its interest may appear (and Standard Federal shall have a security interest in the proceeds of such insurance and may apply any such proceeds which may be received by it toward payment of Borrower's Liabilities, whether or not due, in such order of application as Standard Federal may determine); and (c) maintain at its own expense public liability and property damage insurance in such amounts, with such companies, under such policies and in such form as shall be satisfactory to Standard Federal, and, upon Standard Federal's request, shall furnish Standard Federal with such policies and evidence of payment of premiums thereon. If Borrower at any time hereafter should fail to obtain or maintain any of the policies required above or pay any premium in whole or in part relating thereto, or shall fail to pay any such tax, assessment, levy, or charge or to discharge any such lien, claim, or encumbrance, then Standard Federal, without waiving or releasing any obligation or default of Borrower hereunder, may at any time hereafter (but shall be under no obligation to do so) make such payment or obtain such discharge or obtain and maintain such policies of insurance and pay such premiums, and take such action with respect thereto as Standard Federal deems advisable. All sums so disbursed by Standard Federal, including reasonable attorney fees, court costs, expenses, and other charges relating thereto, shall be part of Borrower's Liabilities, secured hereby, and payable upon demand together with interest at the highest rate payable in connection with any of the Liabilities from the date when advanced until paid.

9. Information. Borrower shall permit Standard Federal or its agents upon reasonable request to have access to, and to inspect, all the Collateral (and Borrower's other assets, if any) and may from time to time verify Accounts, inspect, check, make copies of, or extracts from the books, records, and files of Borrower, and Borrower will make same available at any time for such purposes. In addition, Borrower shall promptly supply Standard Federal with financial and such other information concerning its affairs and assets as Standard Federal may request from time to time.

10. Default. The occurrence of any of the following shall constitute an Event of Default hereunder: (a) If any of the Liabilities is not paid when due; (b) If any warranty or representation made by or for the Borrower or any other party liable on any of the Liabilities or if any financial data or any other information now or hereafter furnished to Standard Federal by or on behalf of the Borrower or any other party liable on any of the Liabilities shall prove to be false, inaccurate or misleading in any material respect; (c) If an event of default shall occur under any promissory note secured hereby or if the Borrower shall fail to perform any of its obligations or covenants under this Agreement, or shall fail to comply with any of the other provisions of this Agreement of any loan agreement or a promissory note or any other agreement with Standard Federal to which it may be a party; (d) If the Borrower or any other party liable on any of the Liabilities shall voluntarily suspend transaction of its business; (e) If the Borrower or any other party liable on any of the Liabilities: (i) makes a general assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy or for a reorganization to effect a plan or other arrangement with creditors, (iii) files an answer to a creditor's petition or other petition against it for relief in bankruptcy or for a reorganization which answer admits the material allegations thereof, (iv) has entered against it any order for relief by any court of bankruptcy jurisdiction, (v) has instituted against it bankruptcy, reorganization or liquidation proceedings which remain undismissed for 60 days, (vi) has entered against it any order by any court approving a plan for its reorganization or any other plan or arrangement with its creditors, (vii) applies for or permits the appointment of a

receiver, trustee or custodian for any substantial portion of its properties or assets, or (viii) becomes unable to meet its debts as they mature or becomes insolvent; (f) If there shall be entered against the Borrower or any other party liable on any of the Liabilities one or more judgments or decrees which are not insured against or satisfied or appealed from and bonded within the time or times limited by applicable rules of procedure for appeal as of right or if a writ of attachment or garnishment against the Borrower or any other party liable on any of the Liabilities shall be issued and levied in an action claiming \$10,000.00 or more and not released, bonded or appealed from within 30 days after the levy thereof; (g) If the Borrower or any principal officer or general partner of the Borrower or any other party liable on any of the Liabilities shall die, merge or consolidate with another entity; (h) If the Borrower or a controlling portion of its voting stock (if the Borrower is a corporation) or a substantial portion of its assets comes under the practical, beneficial or effective control of any person or persons other than those having such control as of the date hereof, if any such change of control, in the sole and absolute discretion of Standard Federal adversely impacts upon the ability of the Borrower to carry on its business as theretofore conducted or to repay the Liabilities; (i) If the Borrower shall sell, lease or transfer all or a material portion of its assets or shall acquire by lease or purchase all or a material portion of the business or assets of any other entity; (j) If the Borrower or any other party liable on any of the Liabilities shall default in the due payment of any indebtedness to whomsoever owed, or shall default in the observance or performance of any term, covenant or condition in any mortgage, security agreement, guaranty, instrument, lease or agreement to which it is a party; (k) If Standard Federal in good faith reasonably believes that the value of any of the Collateral or the ability of the Borrower or any other party liable on any of the Liabilities to pay the Liabilities or otherwise meet its obligations thereunder is or soon will be impaired, time being of the essence, or otherwise shall feel insecure for any reason.

11. Remedies Upon Default. Upon the occurrence of any Event of Default, any and all of the Liabilities may (notwithstanding any provisions thereof and unless otherwise provided in any loan agreement executed in conjunction therewith), at the option of Standard Federal, and without demand or notice of any kind, be declared and thereupon shall immediately become due and payable and Standard Federal may exercise from time to time any rights and remedies including the right to immediate possession of the Collateral available to it under applicable law. Standard Federal may directly contact third parties and enforce against them all rights which arise with respect to the Collateral and to which Borrower or Standard Federal would be entitled. Standard Federal shall have the right to hold any property then in, upon or in any way affiliated to said Collateral at the time of repossession even though not covered by this Agreement until return is demanded in writing by the Borrower. Borrower agrees, upon the occurrence of an Event of Default, to assemble at its expense all the Collateral at a convenient place acceptable to Standard Federal and to pay all costs of Standard Federal of collection of the Liabilities, and enforcement of rights hereunder, including reasonable attorney fees and legal expenses, including participation in Bankruptcy proceedings, and expense of locating the Collateral and expenses of any repairs to any realty or other property to which any of the Collateral may be affixed or be a part. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if sent at least seven (7) days before such disposition, postage pre-paid, addressed to the Borrower either at the address shown above or at any other address of the Borrower appearing on the records of Standard Federal. Borrower acknowledges that Standard Federal may be unable to effect a public sale of all or any portion of the Collateral

because of certain legal and/or practical restrictions and provisions which may be applicable to the Collateral and, therefore, may be compelled to resort to one or more private sales to a restricted group of offerees and purchasers. Borrower consents to any such private sale so made even though at places and upon terms less favorable than if the Collateral were sold at public sale. Borrower waives the right to jury trial in any proceeding instituted with respect to the Collateral. Out of the net proceeds from sale or disposition of the Collateral, Standard Federal shall retain all the Liabilities then owing to it and the actual cost of collection (including reasonable attorney fees) and shall tender any excess to Borrower or its successors or assigns. If the Collateral shall be insufficient to pay the entire Liabilities, Borrower shall pay to Standard Federal the resulting deficiency upon demand. Borrower expressly waives any and all claims of any nature, kind or description which it has or may hereafter have against Standard Federal or its representatives, by reason of taking, selling or collecting any portion of the Collateral. Borrower consents to releases of the Collateral at any time (including prior to default) and to sales of the Collateral in groups, parcels or portions, or as an entirety, as Standard Federal shall deem appropriate. Borrower expressly absolves Standard Federal from any loss or decline in market value of any Collateral by reason of delay in the enforcement or assertion or nonenforcement of any rights or remedies under this Agreement. Borrower agrees that Standard Federal shall, upon the occurrence of an Event of Default, have the right to peacefully retake any of the collateral. Borrower waives any right it may have in such instance to a judicial hearing prior to such retaking.

12. General. Time shall be deemed of the very essence of this Agreement. Except as otherwise defined in this Agreement, all terms in this Agreement shall have the meanings provided by the Michigan Uniform Commercial Code. Standard Federal shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if it takes such action for that purpose as Borrower requests in writing, but failure of Standard Federal to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and failure of Standard Federal to preserve or protect any rights with respect to such Collateral against any prior parties or to do any act with respect to the preservation of such Collateral not so requested by Borrower shall not be deemed a failure to exercise reasonable care in the custody and preservation of such Collateral. This Agreement has been delivered in Michigan and shall be construed in accordance with the laws of the State of Michigan. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The rights and privileges of Standard Federal hereunder shall inure to the benefit of its successors and assigns, and this Agreement shall be binding on all heirs, personal representatives, assigns and successors of Borrower. Borrower hereby expressly authorizes and appoints Standard Federal to act as its attorney-in-fact for the sole purpose of executing any and all financing statements or other documents deemed necessary to perfect the security interest herein contemplated.

13. No Waiver. Any delay on the part of Standard Federal in exercising any power, privilege or right hereunder, or under any other instrument executed by Borrower to Standard Federal in connection herewith shall not operate as a waiver thereof, and no single or partial exercise thereof, or the exercise of any other power, privilege or right shall preclude other or further exercise thereof, or the exercise of any other power, privilege or right. The waiver of


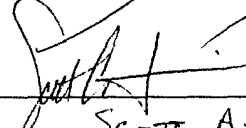
Standard Federal of any default by Borrower shall not constitute a waiver of any subsequent defaults, but shall be restricted to the default so waived. All rights, remedies and powers of Standard Federal hereunder are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all rights, remedies, and powers given hereunder or in or by any other instruments, or by the Michigan Uniform Commercial Code, or any laws now existing or hereafter enacted. The Borrower acknowledges that this is the entire agreement between the parties except to the extent that writings signed by the party to be charged are specifically incorporated herein by reference either in this Agreement or in such writings, and acknowledges receipt of a true and complete copy of this Agreement.

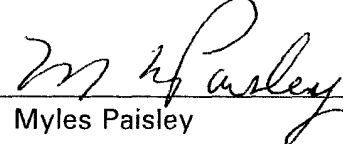
IN WITNESS WHEREOF, this Security Agreement was executed and delivered by the undersigned on the date stated in the first paragraph above.

Witnesses:

BORROWER:

Adrian & Blissfield Rail Road Company, a
Michigan railroad corporation

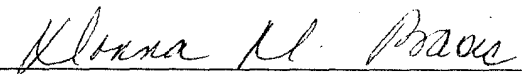

Kenneth J. Brisdorf

Scott A. Wickers

By: 
Myles Paisley

Its: President

STATE OF MICHIGAN)
) ss
COUNTY OF OAKLAND)

The foregoing instrument was acknowledged before me this 15th day of JANUARY, 19 98, by Myles Paisley, who is/are the President of Adrian & Blissfield Rail Road Company, a Michigan railroad corporation, on behalf of the corporation.



Notary Public, Wayne County, Michigan
My commission expires: 3-05-01

DONNA M. BASIC
Notary Public, Wayne County, Michigan
My Commission Expires March 25, 2001